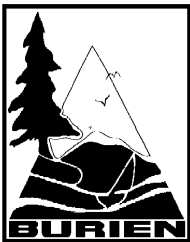


## BASIC FINANCIAL STATEMENTS





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**City of Burien, Washington**  
**Statement of Net Assets**  
**December 31, 2008**

	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,883,149	\$ 267,116	\$ 12,150,265
Receivables			
Accounts	995,859	61,100	1,056,959
Taxes	347,636	-	347,636
Taxes delinquent	113,589	-	113,589
Special assessments	1,516,195	-	1,516,195
Due from other governments	8,600,712	90,176	8,690,888
Deferred Charges	121,874	-	121,874
Restricted cash	8,151	-	8,151
Property and equipment, net of depreciation:			
Land	22,771,670	1,076,060	23,847,730
Buildings	238,460	-	238,460
Machinery and equipment	159,490	7,315	166,805
Other improvements	1,889,211	-	1,889,211
Infrastructure	29,009,495	2,733,772	31,743,267
Construction work in progress	47,037,142	3,128,741	50,165,883
Total Assets	<u>\$ 124,692,633</u>	<u>\$ 7,364,280</u>	<u>\$ 132,056,913</u>
<b>Liabilities</b>			
Accounts payable	\$ 5,600,738	\$ 270,700	\$ 5,871,438
Employee benefits payable	7,657	-	7,657
Bond interest payable	50,369	-	50,369
Due to other governments	459	-	459
Unearned revenue	332,062	-	332,062
Deposits payable	270,512	-	270,512
Noncurrent liabilities:			
Due within one year	811,846	82,778	894,624
Due in more than one year	15,523,249	1,407,227	16,930,476
Total Liabilities	<u>\$ 22,596,892</u>	<u>\$ 1,760,705</u>	<u>\$ 24,357,597</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 84,983,988	\$ 5,455,883	\$ 90,439,871
Restricted for:			
Special revenue	1,151,402	-	1,151,402
Debt service	1,572,738	-	1,572,738
Capital projects	10,699,678	-	10,699,678
Unrestricted	3,687,935	147,692	3,835,627
Total Net Assets	<u>\$ 102,095,741</u>	<u>\$ 5,603,575</u>	<u>\$ 107,699,316</u>

See accompanying notes to the financial statements.

**City of Burien, Washington**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Judicial	\$ 236,123	\$ 4,703	\$ -
General Government	4,301,319	727,145	285,509
Public Safety	7,457,624	-	543,032
Physical Environment	405,561	223,089	158,189
Transportation	4,670,274	915,307	3,073,019
Economic Environment	1,551,828	1,253,287	-
Mental & Physical Health	7,274	-	296,798
Culture and Recreation	2,590,110	476,056	-
Interest on Long-term Debt	502,459	-	-
Total governmental activities	<u>\$ 21,722,572</u>	<u>\$ 3,599,587</u>	<u>\$ 4,356,547</u>
Business-type activities:			
Storm water	\$ 1,100,780	\$ 1,729,442	\$ 7,977
Total business-type activities	<u>\$ 1,100,780</u>	<u>\$ 1,729,442</u>	<u>\$ 7,977</u>
Total government	<u><u>\$ 22,823,352</u></u>	<u><u>\$ 5,329,029</u></u>	<u><u>\$ 4,364,524</u></u>

## General revenues:

Property taxes

Sales Taxes

B &amp; O and Utility Taxes

Other Taxes

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net Assets - beginning

Net Assets - ending

See accompanying notes to the financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (231,420)	\$ -	\$ (231,420)
-	(3,288,665)	-	(3,288,665)
-	(6,914,592)	-	(6,914,592)
-	(24,283)	-	(24,283)
4,516,613	3,834,665	-	3,834,665
3,819,065	3,520,524	-	3,520,524
-	289,524	-	289,524
1,851,054	(263,000)	-	(263,000)
-	(502,459)	-	(502,459)
<u>\$ 10,186,732</u>	<u>\$ (3,579,706)</u>	<u>\$ -</u>	<u>\$ (3,579,706)</u>
\$ 95,000	\$ -	\$ 731,639	\$ 731,639
<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 731,639</u>	<u>\$ 731,639</u>
<u>\$ 10,281,732</u>	<u>\$ (3,579,706)</u>	<u>\$ 731,639</u>	<u>\$ (2,848,067)</u>
	\$ 5,296,290	\$ -	\$ 5,296,290
	5,652,874	-	5,652,874
	3,197,015	-	3,197,015
	1,139,338	-	1,139,338
	381,608	31,640	413,248
	1,558,099	(1,558,099)	-
	<u>\$ 17,225,224</u>	<u>\$ (1,526,459)</u>	<u>\$ 15,698,765</u>
	\$ 13,645,518	\$ (794,820)	\$ 12,850,698
	<u>\$ 88,450,223</u>	<u>\$ 6,398,395</u>	<u>\$ 94,848,618</u>
	<u>\$ 102,095,741</u>	<u>\$ 5,603,575</u>	<u>\$ 107,699,316</u>

**City of Burien, Washington**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2008**

	General	Debt Service	Town Square Capital Projects	Parks & General Government Capital Projects
<b>Assets</b>				
Cash and cash equivalents	\$ 4,506,609	\$ 787	\$ 2,443,534	\$ 2,598,212
Accounts receivable	-	3,129	216	-
Taxes receivable:				
Current	347,636	-	-	-
Delinquent	113,589	-	-	-
Special assessments receivable	-	1,516,195	-	-
Due from other governments	1,051,599	-	3,819,065	343,204
Due from other funds	-	-	3,765,000	-
Restricted cash and cash equivalents	8,151	-	-	-
<b>Total Assets</b>	<b>\$ 6,027,584</b>	<b>\$ 1,520,111</b>	<b>\$ 10,027,815</b>	<b>\$ 2,941,416</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,760,479	\$ -	\$ 3,029,338	\$ 99,827
401A Admin Fee Payable	7,657	-	-	-
Due to other funds	-	65,000	-	-
Due to other governments	459	-	-	-
Deposits payable	270,512	-	-	-
Deferred revenue	219,864	1,516,195	-	245,135
<b>Total Liabilities</b>	<b>\$ 2,258,971</b>	<b>\$ 1,581,195</b>	<b>\$ 3,029,338</b>	<b>\$ 344,962</b>
<b>Fund Balance:</b>				
Unreserved reported in:				
General Fund	\$ 3,768,613	\$ -	\$ -	\$ -
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	(61,084)	-	-
Capital Projects Funds	-	-	6,998,477	2,596,454
<b>Total Fund Balances</b>	<b>\$ 3,768,613</b>	<b>\$ (61,084)</b>	<b>\$ 6,998,477</b>	<b>\$ 2,596,454</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 6,027,584</b>	<b>\$ 1,520,111</b>	<b>\$ 10,027,815</b>	<b>\$ 2,941,416</b>

See accompanying notes to the financial statements.

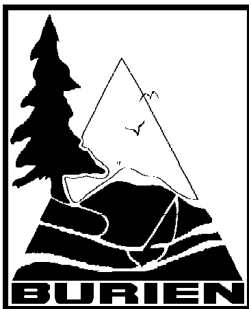
Transportation Capital Projects	Other Governmental	Total
\$ 105,832	\$ 2,228,175	\$ 11,883,149
890,012	99,506	992,863
-	-	347,636
-	-	113,589
-	-	1,516,195
3,297,920	88,924	8,600,712
-	-	3,765,000
-	-	8,151
<u>\$ 4,293,764</u>	<u>\$ 2,416,605</u>	<u>\$ 27,227,295</u>
\$ 558,051	\$ 153,043	\$ 5,600,738
-	-	7,657
3,700,000	-	3,765,000
-	-	459
-	-	270,512
-	-	1,981,194
<u>\$ 4,258,051</u>	<u>\$ 153,043</u>	<u>\$ 11,625,560</u>
\$ -	\$ -	\$ 3,768,613
-	1,151,402	1,151,402
-	165,000	103,916
35,713	947,160	10,577,804
<u>\$ 35,713</u>	<u>\$ 2,263,562</u>	<u>\$ 15,601,735</u>
<u>\$ 4,293,764</u>	<u>\$ 2,416,605</u>	<u>\$ 27,227,295</u>

**City of Burien, Washington**  
**Reconciliation of Total Governmental Fund Balances**  
**to Net Assets of Governmental Activities**  
**December 31, 2008**

Total governmental fund balances		\$ 15,601,735
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		101,105,468
These assets consist of:		
Land	\$ 22,771,670	
Construction in Progress	47,037,142	
Buildings	734,100	
Improvements other than buildings	2,702,944	
Machinery and equipment - General Government	1,590,267	
Infrastructure	57,124,816	
Less: Accumulated Depreciation	(30,855,471)	
	<u>\$ 101,105,468</u>	
Long term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(16,263,590)
These long-term liabilities consist of:		
Long term portion of long term debt	\$ 15,164,033	
Due within one year portion of long-term debt	786,808	
Premium on bond issue to be amortized over life of debt	170,639	
Bond Issue costs to be amortized over life of debt	(121,874)	
Compensated absences	213,615	
Accrued interest payable on long-term debt	50,369	
	<u>\$ 16,263,590</u>	
Receivables not available to pay current period expenditures and, therefore, are deferred in the funds:		1,649,132
Special Assessments	\$ 1,516,195	
Property Taxes	132,937	
	<u>\$ 1,649,132</u>	
Accrued interest on Special Assessments not available to pay current period expenditures and, therefore, not reported in the funds.		2,996
Net Assets of Governmental Activities		<u><u>\$ 102,095,741</u></u>

See accompanying notes to the financial statements.





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**City of Burien, Washington**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended December 31, 2008**

	General	Debt Service	Town Square Capital Projects	Parks and General Government Capital Projects
<b>Revenues</b>				
General property taxes	\$ 4,322,763	\$ -	\$ -	\$ -
Sales Tax	5,652,874	-	-	-
Real Estate Excise Tax	-	-	-	-
B & O	526,249	-	-	-
Utility Tax	2,277,157	-	-	-
Gambling taxes	280,105	-	-	-
Intergovernmental revenue	1,283,911	-	5,599,065	1,849,554
Licenses & permits	845,938	-	-	-
Charges for services	1,163,655	-	-	-
Fines & forfeitures	50,841	-	-	-
Special assessments	-	115,324	-	-
Investment income	108,206	1,001	93,853	58,961
Miscellaneous	13,773	3,364	12,500	-
Total revenues	<u>16,525,472</u>	<u>119,689</u>	<u>5,705,418</u>	<u>1,908,515</u>
<b>Expenditures</b>				
Current:				
General government	4,408,867	-	36,826	-
Public safety	7,442,974	-	-	-
Transportation	-	-	-	-
Recreation	2,274,440	-	-	85,072
Physical Environment	380,815	-	-	-
Mental and Physical Health	7,274	-	-	-
Economic development	1,499,453	-	-	-
Debt service				
Principal	-	739,308	-	-
Interest	-	513,639	-	-
Capital outlay	52,436	-	10,894,280	1,589,096
Total expenditures	<u>16,066,259</u>	<u>1,252,947</u>	<u>10,931,106</u>	<u>1,674,168</u>
Excess of revenues over (under) expenditures	<u>459,213</u>	<u>(1,133,258)</u>	<u>(5,225,688)</u>	<u>234,347</u>
<b>Other Financing Sources (Uses)</b>				
Long-Term Loan Proceeds	-	-	-	-
Proceeds from Sale of Capital Assets	5,000	-	-	-
Transfers in	1,343,915	997,300	513,820	50,000
Transfers (out)	(208,500)	-	-	(10,000)
Total other financing sources and uses	<u>1,140,415</u>	<u>997,300</u>	<u>513,820</u>	<u>40,000</u>
Net change in fund balances	<u>1,599,628</u>	<u>(135,958)</u>	<u>(4,711,868)</u>	<u>274,347</u>
Fund balances - beginning	<u>2,168,985</u>	<u>74,874</u>	<u>11,710,345</u>	<u>2,322,107</u>
Fund balances - ending	<u>\$ 3,768,613</u>	<u>\$ (61,084)</u>	<u>\$ 6,998,477</u>	<u>\$ 2,596,454</u>

See accompanying notes to the financial statements

Transportation Capital Projects	Other Governmental	Total
\$ -	\$ 1,134,926	\$ 5,457,689
-	-	5,652,874
-	859,233	859,233
-	-	526,249
-	393,609	2,670,766
-	-	280,105
3,519,791	1,292,636	13,544,957
-	632,631	1,478,569
820,669	49,718	2,034,042
-	-	50,841
-	-	115,324
163	118,023	380,207
11,363	-	41,000
<u>4,351,986</u>	<u>4,480,776</u>	<u>33,091,856</u>
-	8,622	4,454,315
-	-	7,442,974
76,594	1,503,290	1,579,884
-	-	2,359,512
-	24,746	405,561
-	-	7,274
-	-	1,499,453
-	-	739,308
-	-	513,639
7,122,143	63,015	19,720,970
<u>7,198,737</u>	<u>1,599,673</u>	<u>38,722,890</u>
<u>(2,846,751)</u>	<u>2,881,103</u>	<u>(5,631,034)</u>
600,000	-	600,000
-	-	5,000
3,320,497	1,721,279	7,946,811
-	(6,170,212)	(6,388,712)
<u>3,920,497</u>	<u>(4,448,933)</u>	<u>2,163,099</u>
<u>1,073,746</u>	<u>(1,567,830)</u>	<u>(3,467,935)</u>
<u>(1,038,033)</u>	<u>3,831,392</u>	<u>19,069,670</u>
<u>\$ 35,713</u>	<u>\$ 2,263,562</u>	<u>\$ 15,601,735</u>

**City of Burien, Washington**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of**  
**Governmental Funds to the Statement of Activities**  
**For the fiscal year ended December 31, 2008**

Net change in fund balances - total governmental funds \$ (3,467,935)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 16,261,850

This is comprised of:

Capital Outlays	\$ 19,720,970
Current year depreciation	(3,448,123)
Proceeds on disposal of Capital Assets	(5,000)
Loss on disposal of Capital Assets	(5,997)
	<u>\$ 16,261,850</u>

Capital assets contributed to proprietary fund, not reported in the governmental funds because there has been no flow of current financial resources net of related debt.

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the fund financial statements and are added to this reconciliation, and some revenues reported in the fund financial statements are not reported in the government-wide statement of activities. 718,136

This is comprised of:

Property tax revenue	\$ (161,399)
Accrued interest receivable on special assessment	1,401
Special assessment revenue	878,134
	<u>\$ 718,136</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 149,346

This is comprised of:

Proceeds from Public Works Trust Fund Loans	(600,000)
Amortization of Bond Premium	10,038
Principal payments on long-term debt	739,308
	<u>\$ 149,346</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (15,879)

This is comprised of:

Accrued interest expense	\$ 1,142
Amortization of bond issue costs	(7,169)
Accrued compensated absences expense	(9,852)
	<u>\$ (15,879)</u>

Change in Net Assets of Governmental Activities \$ 13,645,518

See accompanying notes to the financial statements.

**City of Burien, Washington**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances-Budget and Actual**  
**For the Year Ended December 31, 2008**

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 13,297,684	\$ 13,297,684	\$ 13,059,148	\$ (238,536)
Intergovernmental revenue	878,127	1,128,127	1,283,911	155,784
Licenses & permits	895,974	895,974	845,938	(50,036)
Charges for services	1,134,569	1,134,569	1,163,655	29,086
Fines & forfeitures	64,501	64,501	50,841	(13,660)
Investment income	129,741	129,741	108,206	(21,535)
Miscellaneous	-	-	13,773	13,773
Total revenues	<u>16,400,596</u>	<u>16,650,596</u>	<u>16,525,472</u>	<u>(125,124)</u>
<b>Expenditures</b>				
Current:				
General government	3,932,626	4,731,398	4,408,867	322,531
Public safety	7,428,300	7,661,300	7,442,974	218,326
Health	6,900	6,900	7,274	(374)
Public works	476,798	476,798	380,815	95,983
Recreation	2,340,944	2,297,970	2,274,440	23,530
Community development	1,500,332	1,500,332	1,499,453	879
Capital outlay	47,486	48,686	52,436	(3,750)
Total expenditures	<u>15,733,386</u>	<u>16,723,384</u>	<u>16,066,259</u>	<u>657,125</u>
Excess of revenues over (under) expenditures	<u>667,210</u>	<u>(72,788)</u>	<u>459,213</u>	<u>532,001</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	-	-	5,000	5,000
Transfers in	143,640	1,360,356	1,343,915	(16,441)
Transfers (out)	<u>(234,500)</u>	<u>(208,500)</u>	<u>(208,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(90,860)</u>	<u>1,151,856</u>	<u>1,140,415</u>	<u>(16,441)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>576,350</u>	<u>1,079,068</u>	<u>1,599,628</u>	<u>515,560</u>
Fund balances - beginning	<u>774,033</u>	<u>2,168,985</u>	<u>2,168,985</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,350,383</u>	<u>\$ 3,248,053</u>	<u>\$ 3,768,613</u>	<u>\$ 515,560</u>

See accompanying notes to the financial statements.

**City of Burien, Washington**  
**Proprietary Fund**  
**Statement of Net Assets**  
**December 31, 2008**

	<u>Surface Water Management</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 267,116
Utility receivables, net	61,100
Due from other governments	90,176
Total current assets	<u>418,392</u>
Non-current assets:	
Capital assets, net of depreciation	6,945,888
Total non-current assets	<u>6,945,888</u>
Total Assets	<u>\$ 7,364,280</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 270,700
Noncurrent Liabilities:	
Due within one year	82,778
Due in more than one year	1,407,227
Total Liabilities	<u>\$ 1,760,705</u>
 <b>Net Assets</b>	
Invested in capital assets	\$ 5,455,883
Unrestricted	147,692
Total Net Assets	<u>\$ 5,603,575</u>

See accompanying notes to the financial statements.

**City of Burien, Washington**  
**Proprietary Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended December 31, 2008**

	<u>Surface Water Management</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,832,697
Total operating revenues	<u>1,832,697</u>
<b>Operating Expenses:</b>	
Personal services	194,367
Support services	70,725
Repairs & maintenance	729,971
Depreciation	105,717
Total operating expenses	<u>1,100,780</u>
Operating income (loss)	731,917
Non-operating revenues (expenses):	
Investment income	31,640
(Loss) on Disposition of Capital Assets	(278)
Total nonoperating revenues (expenses)	<u>31,362</u>
Income before capital contributions and transfers	763,279
Transfers to other funds	(1,558,099)
	<u>(1,558,099)</u>
Changes in net assets	(794,820)
Total net assets - beginning	<u>6,398,395</u>
Total net assets - ending	<u>\$ 5,603,575</u>

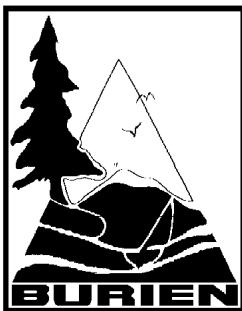
See accompanying notes to the financial statements.

City of Burien, Washington  
 Proprietary Funds  
 Statement of Cash Flows  
 For the Year Ended December 31, 2008

	Surface Water Management
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 1,732,144
Payments to suppliers	(668,301)
Payments to employees	(186,485)
Net cash provided (used) by operating activities	<u>877,358</u>
<b>Cash Flows from Non-capital Financing Activities</b>	
Operating subsidies and transfers to other funds	(1,558,099)
Net cash provided (used) by non-capital financing activities	<u>(1,558,099)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from capital debt	773,500
Proceeds from capital grants	95,000
Purchase and construction of capital assets	(932,851)
Principal payments on Capital Debt	(56,995)
Net cash provided (used) by capital and related financing activities	<u>(121,346)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	31,640
Net cash provided by investing activities	<u>31,640</u>
Net increase (decrease) in cash and cash equivalents	<u>(770,447)</u>
Cash and cash equivalents, beginning	<u>1,037,563</u>
Cash and cash equivalents, ending	<u><u>\$ 267,116</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 731,917
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	105,717
Changes in assets and liabilities:	
Accounts receivable	(5,553)
Accounts payable	140,277
	(95,000)
Total adjustments	<u>145,441</u>
Net Cash Provided by Operating Activities	<u><u>\$ 877,358</u></u>

See accompanying notes to the financial statements.





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## NOTES TO FINANCIAL STATEMENTS

### TABLE OF CONTENTS

<u>Note</u>	<u>Page</u>
1. Summary of Significant Accounting Policies .....	4-19
Reporting Entity .....	4-19
Basic Financial Statements .....	4-19
Measurement Focus and Basis of Accounting .....	4-20
Financial Statement Presentation .....	4-20
Assets, Liabilities and Net Assets or Equities.....	4-21
Cash and cash equivalents .....	4-21
Receivables .....	4-21
Interfund Transactions.....	4-22
Prepaid .....	4-22
Restricted assets .....	4-22
Capital assets .....	4-22
Compensated absences .....	4-22
Deferred Revenue .....	4-23
Long-term Obligations .....	4-23
Fund Equity .....	4-23
2. Reconciliation of Government-wide and Fund Financial Statements .....	4-23
3. Stewardship, Compliance and Accountability .....	4-24
4. Cash and Investments .....	4-25
5. Receivables .....	4-26
6. Interfund Balances and Transfers .....	4-27
7. Capital Assets .....	4-27
8. Construction Commitments.....	4-29
9. Long-term Obligations .....	4-29
10. Pension Plans .....	4-31
11. Other Post Employment benefits .....	4-33
12. Closed Funds.....	4-34
13. Risk Management .....	4-34
14. Contingencies and Litigation .....	4-35



## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Burien have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Summarized comparative data is shown in the presentation, in accordance with GASB Statement 34, specifically in the Management Discussion and Analysis (MD&A).

The City of Burien was incorporated on February 28, 1993, and operates under the laws of the State of Washington applicable to a non-charter code city with a Council-Manager form of government. Burien is administered by a City Manager and a seven-member City Council policy body, all elected for staggered four-year terms. The Council elects one of its members to serve as mayor.

#### **A. Reporting Entity**

The City of Burien is a general-purpose government. The City's Comprehensive Annual Financial Report (CAFR) includes all funds for which the City is financially accountable. Financial accountability is defined as appointment by the City of a voting majority of another organization's governing body and either the ability to impose its will on the other organization, or the potential for the other organization to provide specific financial benefits to or impose financial burdens on the City.

During 2008 there were no other organizations for which the City of Burien was financially accountable.

#### **B. Basic Financial Statements**

The government-wide financial statements consist of the statement of net assets and the statement of activities report information on the City as a whole and fund financial statements which provide a more detailed level of financial information. For the most part interfund activity has been removed from the government-wide statements, with the exception of charges for surface water management activities. Elimination of these charges would distort the direct cost and program revenue of this activity. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales, franchise taxes, business and occupation and utility taxes, charges for services, and certain state-shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

Proprietary Fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with the Surface Water Management Fund's ongoing operations. The principal operating revenue of the fund is a fee based on area and percent of impervious service and operating expenses include the cost of administration of the fund, system maintenance charges and depreciation. All other revenue and expenses are reported as non-operating revenue and expense.

### **D. Financial Statement Presentation**

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It accounts for all financial resources and transactions of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources and payments made for principal and interest on the long-term general obligation debt of the governmental funds.

Town Square *Capital Projects Fund* accounts for financial resources designated for the acquisition and or construction of streets, open space and a joint city hall/library all within the area called town square.

*The Parks and General Government Capital Projects Fund* accounts for financial resources designated for the acquisition and or construction of park and general government capital projects identified in the long range capital improvement program process.

*The Transportation Capital Projects Fund* accounts for financial resources designated for numerous transportation related capital improvement projects.

The government reports the following proprietary fund:

*The Surface Water Management Fund* accounts for planning, public involvement, education and maintenance activities necessary for environmentally appropriate storm and surface water management programs and facilities.

Additionally, the government reports the following fund type:

*Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes.

For business-type activities the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. The City has elected not to follow subsequent private-sector guidance.

## **E. Assets, Liabilities, and Net Assets or Equity**

### **1. Cash and Cash Equivalents**

It is the City's policy to invest all temporary cash surpluses. These investments are reported on the statement of net assets and the governmental funds balance sheet as cash and cash equivalents. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, and investments with the Local Government Investment Pool. Interest earned on pooled investments is allocated to each of the participating funds.

Washington State law authorizes investments in obligations of the U.S. Treasury: U.S. government agencies and instrumentality's, bankers' acceptances, primary certificates of deposit issued by qualified public depositories, the State Treasurer's Local Government Investment Pool and repurchase agreements collateralized by the previously authorized investments. At December 31, 2008, all investments of the City's funds were obligations of the State Treasurer's Local Government Investment Pool, which is an unrated 2a7-like pool, overseen by the State Treasurer's Office in accordance with state statutes and rules established by the State Finance Committee.

The City reports its deposits and investment risk disclosures in accordance with GASB 40. (see cash and investment note 4)

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investments contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

**2. Receivables**

The City recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are described below:

**Property Taxes**

Uncollected property taxes levied for the current year are reported as receivable at year end. The City's property tax collections records show that approximately 98% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. When property taxes become three years delinquent the County is required by State statute to foreclose on the property. Historically, all taxes have been collected, therefore no allowance for uncollectible taxes is recorded.

**Sales Taxes**

Sales Taxes collected for November and December but not remitted by the state to the City until January and February of the following year are reported as receivables at year end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

**Special Assessments**

Special Assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable in the statement of net assets, include all uncollected assessments regardless of the due date. Special assessments receivable in the governmental fund statements consist of current assessments which are due within 60 days, delinquent assessments remaining unpaid after the due date and deferred, uncollected assessments which have been levied, but are not due within 60 days.

**3. Interfund Transactions:**

Activity between funds that is representative of lending/borrowing arrangements outstanding at year end are referred to as either due to/due from other funds. In the Entity-wide Statement of Net Assets due to/due from other funds is not reported, but is eliminated in internal balances. At year end there are two interfund balances of \$3.765 million due to the Town Square Capital Project Fund, \$3.7 million from the Transportation Capital Project Fund and \$65,000 from the Debt Service Fund..

**4. Capital Assets**

Capital Assets, which includes property, plant, equipment, and infrastructure, including all infrastructure acquired prior to the implementation of GASB 34, are reported in the applicable government or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of three years. Such assets are recorded at estimated historical cost if historical cost data is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets acquired prior to the implementation of GASB 34 are recorded at estimated historical cost and all infrastructure assets acquired since implementation of GASB 34 are valued at cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

Property, plant, equipment, and infrastructure of the City is depreciated using the straight line method over the following useful lives

<u>Type of Asset</u>	<u>Number of Years</u>
Building and Structures	20
Other Improvements	10 - 20
Machinery and equipment	3 - 10
Infrastructure	25 - 50

5. **Compensated Absences**

Compensated absences consist of accrued vacation leave and compensatory time. All vacation is accrued when incurred in the government-wide financial statements. The amount recorded in this account represents accumulated vacation, compensatory time, and related benefits.

Vacation is earned monthly, from 8 hours to 16.7 hours per month, based on number of years of employment. Employees are allowed to carry over a maximum of twice his/her annual accrual. Vacation is payable when taken, or upon resignation, retirement, or death.

6. **Deferred Revenue**

In governmental funds, deferred revenues include amounts collected but not yet earned, and include receivables which have not yet met the revenue recognition criteria.

7. **Short-Term Debt**

Short-term obligations are defined as anticipation notes, use of lines of credit and similar type transactions. The City had no short term loan activity or balances at any time during the year.

8. **Long-term Obligations**

Long-term obligations are recorded in the government-wide statement of net assets. These liabilities include two bond issues and four Public Works Trust Fund Loans as further described in Note 9.

9. **Fund Equity**

Reserves represent portions of fund balance that are legally restricted for a specific future purpose or not available for appropriation, because they do not represent a current expendable resource.

10. **Operating and Non-operating Revenues and Expenses**

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and or services in connection to the proprietary fund's principle ongoing operation. It includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are non-operating revenues and expenses.

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

1. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental funds' balance sheet includes a reconciliation between total fund balance and total net assets as reported in the government-wide statement of net assets. (page 4-8)

2. **Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities reported in the government-wide statement of activities. (page 4-12)

### **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in any fund of the City.

#### **Budgetary Data**

##### **1. Scope of Budget**

In accordance with Chapter 35A.33 of the Revised Code of Washington (RCW), the City budgets for all funds.

The budget includes annually budgeted funds (the General Fund, most Special Revenue funds; the Street, Cumulative Reserve, Public Works Reserve, Equipment Reserve, Art in Public Places, and Senior Center Reserve funds and Debt Service funds; the Debt Service and the LID Guaranty funds); unexpended appropriated balances for these funds lapse at year-end. The “Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual” in the Basic Financial Statements section of this report and the “Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual” in the Fund Financial Statements and Schedules section are provided in this document to demonstrate legal budgetary compliance for those funds.

The budget also includes appropriations for funds that are adopted on a “project-length” basis, such as the Capital Projects funds. Appropriations are adopted at the beginning of the projects, and are carried forward from year to year without re-appropriation until authorized amounts are fully expended or the designated purpose of the fund has been accomplished. Since these funds are not budgeted on an annual basis, a budgetary comparison is not made in the financial statements.

The City adopts the budget for governmental funds on the modified accrual basis and all appropriations other than for project-length funds, described above, lapse at year-end.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriated amount. Total fund appropriation includes expenditures, other financing uses and estimated ending fund balance.

##### **2. Procedures for Adopting the Original Budget**

The City's budget procedures are mandated by Chapter 35A.33 RCW. The steps in the budget process are as follows:

- a. Prior to the first Monday in October, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council. Estimates of the cost of these priorities together with estimated basic government operating costs are presented to the Council in the preliminary budget document, with revenue estimates.



- b. The City Council conducts at least three public hearings on the proposed budget prior to budget adoption.
- c. The Council reviews the preliminary budget document and, if necessary, makes its adjustments to the proposed budget. The Council adopts, by ordinance, the final budget for the ensuing fiscal year no later than December 31. The final budget document is published and distributed early the following year. Copies of the adopted budget are made available to the public.

3. **Amending the Budget**

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, the pay classification system, hours, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance.

The budget amounts presented in the financial statements and schedules show the original adopted and final authorized amounts as amended during the year.

4. **Encumbrances**

An encumbrance system is maintained to account for commitments resulting from approved purchase orders. Outstanding encumbrances lapse at year-end and are absorbed within the new year's budget appropriation.

**Deficit Fund Balance**

The Debt Service Fund has a negative fund balance of \$61 thousand at year end. This amount represents revenues expected to be received in 2008 upon issuance of an occupancy permit on a major development at Town Square. Construction was delayed and these revenues are now expected in 2009.

**The Authorized Staffing Level Compliance**

The 2008 budget authorized 59.5 full-time equivalent staff positions. At December 31, 2008, 3 of these positions were unfilled.

**NOTE 4. CASH AND INVESTMENTS**

**A. Cash and Investments**

The City's deposits are entirely covered by the Federal Deposit Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$100,000 are insured by the PDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the PDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As of December 31, 2008 the carrying amount of the City's demand deposits with Key Bank was \$314,983 the bank balance was \$311,834. Petty cash totaled \$1,225 which is allocated to various City departments, and \$ 51,394 is held by King County for property taxes collected at year end with the cash transferring soon after year end.

The Local Government Investment Pool (LGIP) is an unrated 2a7-like pool. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of State Auditor, an independently elected public official.

As of December 31, 2008 the City had the following investments and maturity:

	<b>Fair Value</b>	<b>Less than One Year</b>
State Treasurer's Local Government Investment Pool	\$11,808,186	\$11,808,186
Total Investments	<u>\$11,808,186</u>	<u>\$11,808,186</u>

### **Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Additionally, all investments of the City are in the LGIP, an unrated 2a-7 like pool, which are not subject to interest rate risk, as the weighted average of the portfolio does not exceed 90 days.

### **Credit Risk**

Washington State law limits investments in obligations of the U.S. Treasury, U.S. government agencies and instrumentality's, bankers' acceptances, primary certificates of deposit issued by qualified public depositories, the State Treasurer's Local Government Investment Pool and repurchase agreements collateralized by the previously authorized investments. Additionally investments may be made in commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.

### **Concentration of Credit Risk**

At December 31, 2008, all investments of the City's funds were obligations of the State Treasurer's Local Government Investment Pool, which in itself is a diversified investment pool and is highly liquid.

## **NOTE 5. RECEIVABLES**

### **PROPERTY TAXES**

Property taxes are levied by the county assessor and collected by the county office of financial management. Assessments are based on 100 percent of actual value. Taxes are levied and become a lien on the first day of the levy year. They may be paid in two equal installments if the total amount exceeds \$50. The first half is due on April 30, or the total amount becomes delinquent May 1. The balance is due October 31, becoming delinquent November 1. Delinquent taxes bear interest at the rate of 1 percent per month until paid and are subject to additional penalties of 3 percent and another 8 percent on the total unpaid delinquent balance on June 1 and December 1, respectively. Foreclosure action is commenced on properties when taxes become three years delinquent.

The City may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- a. Washington State law in Revised Code of Washington (RCW) 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

- b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit. Special levies may allow for the total property tax rate to exceed \$10.

The City's regular levy for 2008 was \$1.39132 per \$1,000 of the assessed valuation of \$3,810,402,698 for a total regular levy of \$5,387,702.

#### NOTE 6. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances are short term advances from one fund to another. Interfund loans and advances are eliminated in the Statement of Net Assets.

<i>2008 Interfund Receivables and Payables:</i>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Debt Service Fund	\$ -	\$ 65,000
Capital Project Funds:		
Town Square	\$ 3,765,000	\$ -
Transportation	-	3,700,000
Total Interfund Receivables and Payables:	<u>\$ 3,765,000</u>	<u>\$ 3,765,000</u>

Transfers are transactions between funds used to support the operations of these other funds, and are classified as "Other Financing Sources and Uses" in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide financial statements.

<i>2008 Transfers:</i>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,343,915	\$ 208,500
Street Fund	-	1,890,623
Cumulative Reserve Fund	-	775,275
Public Works Reserve Fund	-	1,153,133
Equipment Replacement Reserve	155,000	-
Art in Public Places	10,000	-
Senior Center Reserve Fund	-	779,487
Debt Service Fund	997,300	-
LID Guaranty Fund	70,000	-
Town Square Capital Project Fund	513,820	-
Parks and General Government Capital Projects Fund	50,000	10,000
Transportation Capital Project Fund	3,320,497	-
Surface Water Management Capital Project Fund	1,486,279	1,571,694
Surface Water Management Fund	-	1,558,099
	<u>\$ 7,946,811</u>	<u>\$ 7,946,811</u>

#### NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 is presented on the following page:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 22,771,670	\$ -	\$ -	\$ 22,771,670
Construction in Progress	28,100,366	19,605,519	668,743	47,037,142
Total capital assets, not being depreciated	50,872,036	19,605,519	668,743	69,808,812
Capital Assets, being depreciated				
Buildings	\$ 734,100	\$ -	\$ -	\$ 734,100
Improvements other than buildings	2,719,590	-	16,646	2,702,944
Machinery and equipment	1,504,074	115,452	29,259	1,590,267
Infrastructure	56,456,073	668,743	-	57,124,816
Total Capital Assets, being depreciated	61,413,837	784,195	45,905	62,152,127
Less accumulated depreciation for:				
Buildings	\$ 458,935	\$ 36,705	\$ -	\$ 495,640
Improvements	750,068	78,092	14,427	813,733
Machinery and Equipment	1,215,446	235,812	20,481	1,430,777
Infrastructure	25,017,806	3,097,515	-	28,115,321
Total Accumulated Depreciation	27,442,255	3,448,124	34,908	30,855,471
Total capital assets, being depreciated, net	33,971,582	(2,663,929)	10,997	31,296,656
Governmental activities capital assets, net	\$ 84,843,618	\$ 16,941,590	\$ 679,740	\$ 101,105,468

<b>Business type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 1,076,060	\$ -	\$ -	\$ 1,076,060
Construction in Progress	2,115,009	1,013,732	-	3,128,741
Total capital assets, not being depreciated	3,191,069	1,013,732	-	4,204,801
Capital Assets, being depreciated				
Buildings	\$ -	\$ -	\$ -	\$ -
Improvements other than buildings	-	-	-	-
Machinery and equipment	95,069	7,314	5,334	97,049
Infrastructure	3,845,541	-	-	3,845,541
Total Capital Assets, being depreciated	3,940,610	7,314	5,334	3,942,590
Less accumulated depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Improvements	-	-	-	-
Machinery and Equipment	89,734	3,556	3,556	89,734
Infrastructure	1,009,608	102,161	-	1,111,769
Total Accumulated Depreciation	1,099,342	105,717	3,556	1,201,503
Total capital assets, being depreciated, net	2,841,268	(98,403)	1,778	2,741,087
Business-type activities capital assets, net	\$ 6,032,337	\$ 915,329	\$ 1,778	\$ 6,945,888

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 91,708
Public Safety	14,650
Transportation, including infrastructure	3,099,382
Culture & Recreation	228,322
Economic Development	<u>14,062</u>
Total Increase in Accumulated Depreciation	
Governmental Activities	<u>\$3,448,124</u>

**Business- type Activities:**

Surface Water Management	<u>\$ 105,717</u>
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**NOTE 8. CONSTRUCTION COMMITMENTS**

The City has active construction projects as of December 31, 2008. The projects include two street construction contracts, a town square park facility and the City's share of the new Library/City Hall building. At year end the City has spent in excess of \$10.6 million, on these project and has a remaining commitment of an additional \$5.6 million.

**NOTE 9. LONG-TERM OBLIGATIONS**

General Obligation Bonds are a direct obligation of the City for which its full faith and credit is pledged. Debt service is paid from the debt service fund.

General Obligation Bonds Outstanding at year end consist of the 2002 and the 2006 Limited Tax General Obligation Bond Issues: The 2002 Bonds were issued in the original amount of \$3.2 million, to provide funds for property acquisition for Town Square and parks, and to provide funds for numerous parks development and renovation projects. The 2006 Limited Tax General Obligation Bonds were issued in the amount of \$9,805,000, to provide funds for a future Senior and Activity Center and funds to continue development of the Town Square Project.

**Changes in General Long Term Debt**

For the Year Ended December 31, 2008

	Balance <u>1/1/08</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/08</u>
2002 Limited Tax G.O. 2.5 to 4.70%	\$ 2,595,000	-	\$(135,000)	\$ 2,460,000
2006 Limited Tax G.O. 3.75 to 5.00%	<u>9,495,000</u>	<u>-</u>	<u>(340,000)</u>	<u>9,155,000</u>
Total General Obligation Bonds	\$ 12,090,000	\$ -	\$(475,000)	\$ 11,615,000

**Debt Service Requirement to Maturity**

## Long Term Debt Summary

December 31, 2008

<u>Year</u>	<u>General Obligation Bonds</u>		<u>General Obligation Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total Long Term Debt</u>
2009	485,000	480,143	965,143
2010	505,000	461,418	966,418
2011	525,000	441,568	966,568
2012	540,000	420,568	960,568
2013	560,000	398,968	958,968
2014 - 2018	3,235,000	1,606,153	4,841,153
2019 - 2023	3,750,000	846,967	4,596,967
2024 - 2026	2,015,000	162,408	2,177,408
	<u>\$11,615,000</u>	<u>\$4,818,193</u>	<u>\$16,433,193</u>

Public Works Trust Fund Loan - State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has four such loans. The first loan has an outstanding balance of \$1,679,306 and is being repaid with Real Estate Excise Taxes received in the Public Works Reserve Fund. The second loan is for \$738,888 and is being repaid with revenues from a special assessment (LID #1) against the benefiting property owners on the 152<sup>nd</sup> Street Enhancement Project, which was completed in 2003. The third loan is associated with the 1st Ave. South capital project, with an outstanding balance of \$1,917,647. The fourth loan is the responsibility of the Surface Water Management Fund for the Ambaum Pond Project associated with the 1<sup>st</sup> Ave South project. The outstanding balance at year end is \$1,490,005.

**Governmental Funds Debt Service:**Public Works Trust Fund  
Loans

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	301,808	20,714
2010	301,808	19,701
2011	301,808	18,661
2012	301,808	17,152
2013	301,808	18,661
2014 - 2018	1,509,040	58,598
2019 - 2023	1,197,908	19,698
2024 - 2026	119,853	599
	<u>\$ 4,335,841</u>	<u>\$ 173,785</u>

**Business Type Activities Debt Service:**Public Works Trust Fund  
Loans

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	82,778	6,918
2010	82,778	6,671
2011	82,778	6,278
2012	82,778	5,886
2013	82,778	6,278
2014 - 2018	413,890	23,592
2019 - 2023	413,890	13,244
2023 - 2027	248,334	2,483
	<u>\$ 1,490,005</u>	<u>\$ 71,352</u>

**Special Assessment Debt with Government Commitment**

Special Assessment debt are not a direct responsibility of the City, but are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the Debt Service Fund. At year end delinquent special assessments receivable are \$3,129. The government is obligated for the special assessment debt to the extent that it is required to establish a guaranty fund, for the purpose of guaranteeing the payments of local improvement debt, in the event there are insufficient funds in the Debt Service Fund from the collection of special assessments. The LID Guaranty Fund was established

with a transfer from the Street Fund to maintain an approximate balance of 10% of outstanding debt owed by the special assessment.

### Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable					
General obligation bonds	\$ 12,090,000	\$ -	\$ (475,000)	\$ 11,615,000	\$ 485,000
Special assessment debt with government commitment (PWTFLL)					
LID No. 1 SW 152nd St.	791,666	-	(52,778)	738,888	52,778
LID No. 2 1st Ave S.	700,000	300,000	(41,176)	958,824	59,926
Public Works Trust Funds Loans:					
SW 152nd St Project	1,808,483	-	(129,177)	1,679,306	129,177
1st Ave S. Project	700,000	300,000	(41,177)	958,823	59,927
Plus Deferred amount for issuance premium	180,677	-	(10,038)	170,639	10,038
Bonds and Loans Payable	\$ 16,270,826	\$ 600,000	\$ (749,346)	\$ 16,121,480	\$ 796,846
Compensated Absences	203,763	247,118	(237,266)	213,615	15,000
Governmental activity Long-term liabilities	\$ 16,474,589	\$ 847,118	\$ (986,612)	\$ 16,335,095	\$ 811,846
<b>Business type activities:</b>					
Public Works Trust Funds Loans:					
Ambaum Pond Project	696,150	850,850	(56,995)	1,490,005	82,778
Business Type activity Long-term liabilities	\$ 696,150	\$ 850,850	\$ (56,995)	\$ 1,490,005	\$ 82,778
<b>Total Governmental and Business- Type Long-term Liabilities</b>	<b>\$ 17,170,739</b>	<b>\$ 1,697,968</b>	<b>\$ (1,043,607)</b>	<b>\$ 17,825,100</b>	<b>\$ 894,624</b>

### Compensated Absences Payable

This amount represents the total unpaid vacation, compensatory time and related benefits liability of the governmental funds. Compensated absences liability at year end is \$213,615, an increase of \$9,852 from the previous year, so governmental expenses for 2008 are increased by this amount. Essentially all of the compensated absences liability has historically been liquidated through charges to the departments in the General Fund.

## NOTE 10. PENSION PLANS

### A. Washington State Public Employees' Retirement Plan

Substantially all City of Burien full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Department of Retirement Systems, under cost-sharing multiple-employer defined benefit public employee retirement systems.

Historical trend and other information regarding each plan is presented in the State Department of Retirement Systems 2008 annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems  
PO Box 48380  
Olympia, WA 98504-8380

**Plan Description:** *Public Employees' Retirement System (PERS).* The state legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing multiple-employer defined benefit system. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government.

PERS contains three plans. As used in this context, the term *plans* refers to tiers within PERS. The actual plan is PERS. Participants who joined the system by September 30, 1977, are Plan I members. Those who joined on or after October 1, 1977 and by August 31, 2002 for local government employees are Plan II members unless they exercise an option to transfer their membership to Plan III. PERS participants joining the system on or after September 1, 2002 for local government employees have the option of choosing membership in either PERS Plan II or PERS Plan III. The option must be exercised within 90 days of employment. An employee who fails to choose within 90 days defaults to PERS Plan III. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan I and Plan II are vested after completion of 5 years of eligible service. PERS retirement benefit provisions are established in state statutes and may be amended only by the State Legislature.

Plan I members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the final average salary per year of service, capped at 60 percent.

Plan II members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the final average salary. Plan II retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3 percent annually.

Plan III members become eligible for retirement if they have at least 10 years of service; or 5 years including twelve months that were earned after age 54; or 5 years service credit years earned in PERS Plan II prior to June 1, 2003. Plan III retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit. Plan III provides the same cost-of-living allowance as Plan II.

**Funding Policy:** Each biennium the State Legislature establishes Plan I and Plan III employer contribution rates and Plan II employer and employee contribution rates. Employee contribution rates for Plan I are established by legislative statute and do not vary from year to year. Employer rates for Plan I are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan II and the employer contribution rate for Plan III are developed by the Office of State Actuary to fully fund the system. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements were established under state statute.

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2008 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
Employer	8.31%	8.31%	8.31%
Employee	6.00%	5.45%	*various 5%-15%



\*Employee contribution rates cannot be changed for Plan III participants unless the member changes employers.

Both the City of Burien and the employees made the required contributions. The City's required contributions for the years ended December 31, were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2008	\$8,596	\$234,027	\$ 13,622
2007	\$6,052	\$170,017	\$ 14,771
2006	3,216	86,857	8,223

## B. City of Burien Retirement Plan

**Plan Description:** The City Council established the City of Burien Retirement Plan, which is a defined contribution pension plan, effective March 1, 1993, in accordance with Internal Revenue Code Section 401(a). The plan was established as an alternative to the Social Security System and is administered by the International City Management Association (ICMA) Retirement Corporation, a private corporation.

Temporary employees are not eligible for participation in this plan and they contribute to the Social Security System.

**Funding Policy:** All regular employees are required to participate in the plan. Under this program employees contribute 6.2%, the same percentage as they would have paid into Social Security, into a tax-deferred account. The City contributes 5.85% into the employee account. This employer match is slightly less than would have been paid into Social Security. The difference is used to pay long-term disability insurance premiums. The plan document may be periodically amended by a majority vote of the participants and with City Council approval.

The pension benefits a participant will receive depend only on the amount contributed to the participant's account and earnings on investments of these contributions. Employee's self-direct investments among various investment options for both employee and employer contributions. All contributions are invested in instruments arranged through the ICMA Retirement Corporation. The plan assets are not the property of the City and are not subject to the claims of the City's general creditors. The City is not required to report plan assets on the financial statements.

Employee contributions for retirement benefits are always 100% vested. Employer contributions are 23% vested until the completion of the first year of employment. After one year, employer contributions are 100% vested. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age. Employer contributions can be withdrawn according to the vesting schedule. Upon normal retirement age of 60, distribution of benefits can be from several options offered by the ICMA Retirement Corporation.

As of December 31, 2008, there were fifty-nine active members in the City of Burien Retirement Plan. The City's covered payroll for the year ended December 31, 2008, was \$3,558,769 out of total payroll of \$3,777,070. Employee contributions during the year totaled \$221,329. City contributions were \$208,244.

## NOTE 11. OTHER POST EMPLOYMENT BENEFITS

**Trust Description.** The City is a participating employer in the Association of Washington Cities Employee Benefit Trust (Trust), a cost-sharing multiple-employer welfare benefit plan administered by

the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of participating employers and their eligible family members. Under Article VII of the Trust document, the trustees have the authority and power to amend the amount and nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for Trust. That report, along with a copy of the Trust document, may be obtained by writing Trust at 1076 Franklin St. SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

**Funding Policy.** The Trust provides that contribution requirements of participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$644.35 per month for non-Medicare enrolled retiree-only coverage, \$1,288.70 for non-Medicare enrolled retiree and spouse coverage, \$987.25 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$685.80 for Medicare-enrolled retiree and spouse coverage.

Participating employers are contractually required to contribute at a rate assessed each year by Trust, currently 13.36% of annual covered payroll. The City's contribution to the Trust for the year ended December 31, 2008, was \$475,455, which equals the required contribution of that year.

#### **NOTE 12. CLOSED FUNDS**

The Cumulative Reserve Fund was closed and the remaining assets were transferred to the General Fund. The financial policy consolidating this fund into the General Fund, also requires that targeted ending fund balance in the General Fund be increased from 5% to 10% of ongoing annual General Fund revenues.

#### **NOTE 13. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates and is a member of the Washington Cities Insurance Authority (WCIA), a public entity risk pool.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 129 members. The City has been a member since its incorporation in 1993.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

In the past three years, there have been no settlements that have exceeded this coverage.

The City's industrial insurance is provided by the State of Washington and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification.

The City's unemployment insurance is through Washington State Employment Security Department, which provides some compensation to workers who are temporarily and involuntarily unemployed.

The City provides medical, dental, vision and other health benefits to eligible employees. Premiums for these benefits are purchased through policies administered by the Association of Washington Cities.

#### **NOTE 14. CONTINGENCIES AND LITIGATION**

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. The audits of these programs for or including the year ended December 31, 2008, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is the subject of a judgment of the Snohomish Superior Court in an amount in excess of \$12 million, stemming from a dispute regarding an alleged failure of the City to take timely action on a land use decision that resulted in damages to the plaintiff from lost profits and misrepresentations by the City. The City tendered its defense to its insurer, the Washington Cities Insurance Authority, who defended the City at trial. The City currently is in discussion with its insurer regarding coverage, and the insurer is in arbitration with its re-insurers regarding coverage obligations. An arbitration hearing is scheduled for

later this year. City management fully expects that a substantial portion of any settlement of any final judgment will be covered by insurance.

As of December 31, 2008 the City is a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

